

**PLYMOUTH EDUCATIONAL CENTER  
CHARTER SCHOOL  
FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION  
JUNE 30, 2008**

**PLYMOUTH EDUCATIONAL CENTER  
CHARTER SCHOOL**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Plymouth Educational Center  
Charter School  
Detroit, MI

We have audited the accompanying financial statements of the governmental activities, major funds, and the aggregate remaining fund information of the Plymouth Educational Center Charter School as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Plymouth Educational Center Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major funds, and the aggregate remaining fund information of the Plymouth Educational Center Charter School as of June 30, 2008 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report  
(Continued)**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2008 on our consideration of Plymouth Educational Center Charter School's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information (identified in the table of contents) are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plymouth Educational Center Charter School's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Alan C. Young; Assoc.*

October 29, 2008

**PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008**

As management of the Plymouth Educational Center, we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The Academy's financial status remained strong and stable primarily due to increases in per-pupil State Aid and despite modest growth in student population. The Academy strives to practice prudent fiscal management of its resources.
- Enrollment increased by 6 students (0.7%) to 927.
- The Academy continued its policy allowing employees to opt out of medical coverage for a lump sum payment of \$1,200 per employee. The employees had to show proof of medical coverage from a spouse other source. There were 15 employees that elected this option in the 2007-2008 fiscal years. This strategy produced a savings of approximately \$58,000.
- In recent years, the Academy has felt the impact of the declining local economy resulting in reductions in State tax revenue, and consequently, reductions in State Aid for the Academy. Additionally, any increases in State Aid have been below the level of inflation. We anticipate continued flat to declining revenue through fiscal year 2010.
- The Academy remains committed to maintaining competitive starting teacher salaries. This strategy helps recruit and retain highly qualified teachers. To reach the board's goal, the budget impact was an approximate \$137,550 increase in expenditures for instruction.
- The General Fund received \$8,258,020 in revenue, which primarily consisted of the State Foundation grant, federal grants, fundraising proceeds, and bank interest. Excluding inter-fund transfers, there were \$7,309,490 in General Fund expenditures.

**PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private-sector business.

The statement of net assets presents information, using the accrual basis of accounting, on all of the Academy's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements outline functions of the Academy that are principally supported by State Aid and intergovernmental revenues (Federal grants). The governmental activities of the Academy include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are supported by State Aid and intergovernmental revenues.

The government-wide financial statements can be found on pages 1 - 2 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Michigan public school districts utilizing Bulletin 1022. The Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. All activities of the Academy are included in the governmental funds. The Academy does not maintain any proprietary or fiduciary funds.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7 - 19 of this report.

**PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Academy, assets exceeded liabilities by \$1,030,589 as of June 30, 2008. This represents a decrease of \$34,080 over last year.

The largest portion of the Academy's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The Academy uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the Academy's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Academy's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net Assets for the period ending June 30, 2008**

The following shows a comparison of the Academy's statements of net assets for the years ending June 30, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Current Assets	\$3,448,871	\$3,356,464
Noncurrent Assets	12,695,660	12,886,705
<b>Total Assets</b>	<u>16,144,531</u>	<u>16,243,169</u>
Current Liabilities	1,307,410	791,087
Noncurrent Liabilities	13,806,532	14,387,413
<b>Total Liabilities</b>	<u>15,113,942</u>	<u>15,178,500</u>
<b>Net Assets</b>		
Investment in Capital Assets (Net of Debt)	(3,325,209)	(3,530,807)
Restricted	1,588,336	1,433,820
Unreserved Fund Balance	<u>2,767,462</u>	<u>3,161,656</u>
<b>Total Net Assets</b>	<u><u>\$1,030,589</u></u>	<u><u>\$1,064,669</u></u>

**PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – (Continued)**

**Change in Net Assets for the periods ending June 30, 2008 and 2007**

**REVENUES**

	<u>2008</u>	<u>2007</u>
<b>Program Revenues:</b>		
Charges for Services	\$147,306	\$122,195
Federal and State Categorical Grants	1,521,715	1,529,631
<b>General Revenues:</b>		
State Aid-Unrestricted	6,865,381	6,774,193
Other	346,582	337,228
<b>Total Revenues</b>	<u>8,880,984</u>	<u>8,763,247</u>

**EXPENSES**

Instruction	3,636,954	3,862,150
Support Services	3,662,012	3,235,512
Food Services	371,587	353,470
Athletics	49,576	59,653
Latchkey	197,644	194,490
Interest on Long-term Debt	728,286	737,357
Unallocated Depreciation	165,081	165,081
Refunding Bond Expenses	103,924	103,924
<b>Total Expenses</b>	<u>8,915,054</u>	<u>8,711,637</u>

**INCREASE IN NET ASSETS**

<u>(\$34,080)</u>	<u>\$51,610</u>
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**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS**

The strong performance of the District as a whole is reflected in its governmental funds. As the District completed its year, its governmental funds reported combined fund balances of \$2.62 million, including a fund balance in the General Fund of \$1,029,565 which represents 14.1% of total general fund expenditures. The General Fund balance experienced a decrease of \$221,413 over last year. This includes a the transfer of \$43,266 to cover an operating deficit in the School Service Fund as well as transfers of \$1,180,677 to the debt service fund to fund the Academy's long-term debt requirement.



**PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS – (Continued)**

The following table presents a summary of general fund revenue and expense for the fiscal years ended June 30, 2008 and 2007.

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Local Revenue Sources	\$299,159	\$252,005
State Revenue Sources	7,285,878	7,215,239
Federal Revenue	672,983	662,396
<b>Total Revenues</b>	<u>8,258,020</u>	<u>8,129,640</u>
<b>EXPENSES</b>		
Instruction	3,531,221	3,763,898
Student Support Services	320,322	167,217
Instructional Support	291,802	245,754
General Administration	922,502	469,758
School Administration	875,383	1,079,231
Business Support	416,349	440,463
Plant Operations	855,469	949,174
Student Transportation	33,865	22,959
Student Transportation	62,577	0
<b>Total Expenses</b>	<u>7,309,490</u>	<u>7,138,454</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<u>\$948,530</u>	<u>\$991,186</u>

Also, note that \$1,180,677 and \$937,244 were transferred to the debt service fund for funding of the Academy's bonded debt for the years ended June 30, 2008 and 2007 respectively.

**General Fund Revenue**

The majority of revenue was derived from state funding (88.2%) with federal funding making up 8.1% of total revenue. There was also local revenue from private grants and fundraising making up 3.7% of total revenue.

**Expenditure Allocation**

Basic Instruction accounted for \$3,205,150 or 43.8% of the general fund expenses. \$646,392 (8.8%) was spent on student support and serving children with special needs. Instructional Support expenditures were 4.0%.

\$855,469 (11.7%) was expended on Operations and Maintenance and 31.7% was expended on School Administration, and other Central Support Services.

**PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS – (Continued)**

**Comments on Budget Comparisons**

- The Academy's total revenues for the fiscal year ended June 30, 2008 including all funds and net of Inter-fund transfers and Other Financing Sources, were \$8.88 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$10,448 less than budget or approximately 0.1%.
- The total cost of all programs and services was \$8 million net of debt service.
- General fund budget expenditures to actual varied significantly in basic instruction (\$369,286). Additionally, the in general administration, maintenance and operation and instructional staff areas closed with variances of \$340,826, \$88,813 and \$122,133, respectively. Budget amendments will be proposed more often and we will continue to institute changes in the planning processes to help avoid this in the future. Increased attention will be paid to these budget areas during monthly budgeted expenditures monitoring.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2008, the Academy had \$10.5 million (net of depreciation) invested in a broad range of capital assets, including buildings, athletic field improvements, landscaping, playground equipment, furniture, and computer and audio visual equipment. Total depreciation for the year was \$364,148.

	<u>2008</u>	<u>2007</u>
Land	\$255,900	\$255,900
Building and Building Improvements	9,737,454	9,803,286
Furniture and Equipment	515,150	536,439
<b>Total</b>	<u>\$10,508,504</u>	<u>\$10,595,625</u>

This year's additions of \$277,027 primarily included building and parking lot improvements as well as security cameras.

**Debt**

At the end of this year, the Academy had \$14,165,051 in outstanding long-term debt versus \$14,387,413 in the previous year – an decrease of 1.5 percent.

\$372,085 of long - term debt will be retired in the 2008-2009 fiscal year. This will further improve the Academy's cash position and financial standing.

**PLYMOUTH EDUCATIONAL CENTER – DETROIT, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2008**  
**(Continued)**

**BUDGETARY IMPLICATIONS**

In Michigan the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the Academy overall budget.

**Economic Factors and Next Year's Budgets and Rates**

The Academy considers many factors when setting the Academy's 2008-2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2008 fiscal year is 25 percent of the February 2008 student count and 75 percent of the September 2008 student count. The all inclusive budget was adopted in May 2008 based on an estimate of students that will be enrolled in September 2008. Approximately 83% of total General Fund revenue is from the foundation allowance.

As of the date of this report, the State of Michigan has not officially passed a fiscal year budget for 2008-2009. We are however expecting an increase of about 1% in the per pupil foundation grant. The Academy has prepared several budget scenarios in the event that the increase in per pupil funding deviates from the expected amount.

Under State law the Academy cannot assess property taxes for additional revenue for general operations. As a result, the Academy is heavily dependent on the State's ability to fund school operations. Based on early enrollment data at the start of the 2009 school year, we anticipate that the Fall count will be close to the estimates used in creating the 2008-2009 budget. Once the final student count and related pupil funding are validated, State law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

Since the Academy's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriations to public schools and public school Academies. The State periodically holds a revenue estimating conference to estimate revenues.

All Academy employees belong to The Michigan Public School Employees Retirement System (MPERS). The State mandates that the Academy contribute a percentage of each employee's salary towards funding his pension. The Academies contribution rate towards the pension will decrease from 16.72% in the 2007-2008 fiscal year to 16.54% in 2008-2009. This 1.1% decrease in pension contributions will have a positive budgetary impact of approximately \$6,000.

Questions regarding this report should be directed to the Chief Administrative Officer (313) 831-3280 or to Idowu A. Jegede, Director of Business Operations (313) 831-3280 or by mail at 1460 East Forest, Detroit, Michigan 48207.

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Cash and Investments (Note 3)	\$2,057,063
Receivables (Note 4)	1,391,808
Capital Assets - Net (Note 5)	10,508,504
Deferred Bond Issuance Costs (Note 7)	717,520
Deferred Loss on Bond Issuance (Note 7)	1,469,636
<b>Total Assets</b>	<u>16,144,531</u>
<b>Liabilities:</b>	
Accounts Payable	220,787
Loan Payable	124,682
Accrued Payroll and Other Liabilities	603,422
Long-Term Liabilities (Note 7):	
Due within one year	358,519
Due in more than one year	13,806,532
<b>Total Liabilities</b>	<u>15,113,942</u>
<b>Net Assets:</b>	
Investment in Capital Assets - Net of Related Debt	(3,325,209)
Restricted:	
Debt Service Fund	1,588,312
Capital Projects Fund	24
Unrestricted	2,767,462
<b>Total Net Assets</b>	<u>\$1,030,589</u>

*The notes to financial statements are an integral part of this statement.*

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
JUNE 30, 2008**

		<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants/Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>			
<b>Functions/Programs</b>				
Primary Government-Governmental Activities:				
Instruction	\$3,636,954	\$0	\$575,079	(\$3,061,875)
Support Services	3,662,012	0	518,401	(3,143,611)
Food Services	371,587	43,191	404,543	76,147
Athletics	49,576	8,046	23,692	(17,838)
Latchkey	197,644	96,069	0	(101,575)
Interest on Long-Term Debt	728,286	0	0	(728,286)
Depreciation (Unallocated)	165,081	0	0	(165,081)
Refunding Bond Expenses	103,924	0	0	(103,924)
<b>Total Primary Government-Governmental Activities</b>	<u>8,915,064</u>	<u>147,306</u>	<u>1,521,715</u>	<u>(7,246,043)</u>
<b>General Revenues:</b>				
State Aid not restricted to specific purposes				6,865,381
Interest and Investment Earnings				52,562
Contributions not restricted to specific purpose				178,000
Other				116,020
<b>Total General Revenues</b>				<u>7,211,963</u>
Change in Net Assets				(34,080)
Net Assets-Beginning of Year				<u>1,064,669</u>
<b>Net Assets-End of Year</b>				<u>\$1,030,589</u>

The notes to financial statements are an integral part of this statement.

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008**

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>				
Cash and Investments (Note 3)	\$421,086	\$1,588,312	\$47,665	\$2,057,063
Receivables (Note 4)	1,344,884	0	46,924	1,391,808
Due from Other Funds	229,720	0	150,026	379,746
<b>Total Assets</b>	<b>\$1,995,690</b>	<b>\$1,588,312</b>	<b>\$244,615</b>	<b>\$3,828,617</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities:</b>				
Accounts Payable	\$206,916	\$0	\$14,871	\$220,787
Loan Payable (Note 8)	124,682	0	0	124,682
Due to Other Funds	150,026	0	229,720	379,746
Accrued Payroll and Other Liabilities	485,501	0	0	485,501
<b>Total Liabilities</b>	<b>966,125</b>	<b>0</b>	<b>244,591</b>	<b>1,210,716</b>
<b>Fund Balances:</b>				
Reserved:				
Debt Service Fund	0	1,588,312	0	1,588,312
Capital Projects Fund	0	0	24	24
Unreserved:				
Undesignated	1,029,565	0	0	1,029,565
<b>Total Fund Balances</b>	<b>1,029,565</b>	<b>1,588,312</b>	<b>24</b>	<b>2,617,901</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$1,995,690</b>	<b>\$1,588,312</b>	<b>\$244,615</b>	<b>\$3,828,617</b>

*The notes to financial statements are an integral part of this statement.*

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
YEAR ENDED JUNE 30, 2008**

	<u>Amount</u>
<b>Fund Balance-Total Governmental Funds</b>	<b>\$2,617,901</b>
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different because:	
Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds:	
The Cost of Capital Assets is	12,550,316
Accumulated Depreciation is	<u>(2,041,812)</u>
	10,508,504
Long-Term Liabilities are not Due and Payable in the Current Period and are not Reported in the Governmental Funds:	
Bonds Payable	(13,435,000)
Compensated Absences	(331,338)
Other	(398,713)
Accrued Interest Payable is not included as a Liability in Governmental Funds	(117,921)
Bond Issuance Costs and Loss on Bond Issuance are Amortized over the Life of the Bond Issues in the Governmental Activities	<u>2,187,156</u>
<b>Net Assets-Governmental Activities</b>	<b><u>\$1,030,589</u></b>

*The notes to financial statements are an integral part of this statement.*

**PLYMOUTH CENTER CHARTER SCHOOL  
GOVERNMENT FUNDS  
STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008**

	General Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue:</b>				
Local Sources	\$299,159	\$46,840	\$171,529	\$517,528
State Sources	7,285,878	0	10,941	7,296,819
Federal Sources	672,983	0	393,654	1,066,637
<b>Total Revenue</b>	<u>8,258,020</u>	<u>46,840</u>	<u>576,124</u>	<u>8,880,984</u>
<b>Expenditures:</b>				
<u>Current:</u>				
Instruction	3,531,221	0	0	3,531,221
Support Services	3,778,269	0	0	3,778,269
Food Services	0	0	371,587	371,587
Athletics	0	0	49,576	49,576
Latchkey	0	0	197,644	197,644
Capital Outlay	0	0	60,789	60,789
<u>Debt Service:</u>				
Principal	0	283,010	0	283,010
Interest	0	729,786	0	729,786
<b>Total Expenditures</b>	<u>7,309,490</u>	<u>1,012,796</u>	<u>679,596</u>	<u>9,001,882</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<u>948,530</u>	<u>(965,956)</u>	<u>(103,472)</u>	<u>(120,898)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Capital Lease	54,000	0	0	54,000
Refunded Payment to Escrow	0	0	0	0
Bond Issuance Expenses	0	0	0	0
Transfers In	0	1,180,677	119,413	1,300,090
Transfers Out	<u>(1,223,943)</u>	<u>0</u>	<u>(76,147)</u>	<u>(1,300,090)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(1,169,943)</u>	<u>1,180,677</u>	<u>43,266</u>	<u>54,000</u>
Net Changes in Fund Balances	(221,413)	214,721	(60,206)	(66,898)
Fund Balances-Beginning of Year	<u>1,250,978</u>	<u>1,373,591</u>	<u>60,230</u>	<u>2,684,799</u>
<b>Fund Balances-End of Year</b>	<u>\$1,029,565</u>	<u>\$1,588,312</u>	<u>\$24</u>	<u>\$2,617,901</u>

*The notes to financial statements are an integral part of this statement.*



**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

	<u>Amount</u>
<b>Net Change in Fund Balance-Total Governmental Funds</b>	(\$66,898)
Amounts Reported for Governmental Activities in the Statement of Activities are Different because:	
Governmental Funds Report Capital Outlay as expenditures; in the Statement of Activities, these Costs are Allocated Over their Estimated Useful Lives as Depreciation:	
Depreciation Expense	(364,148)
Capitalized Capital Outlay	<u>277,027</u>
	(87,121)
Accrued Interest is Recorded in the Statement of Activities when Incurred; it is not Reported in Governmental Funds until Paid	1,501
Repayment of Bond Principal and Note Obligations are Expenditures in the Governmental Funds, but not in Statement of Activities (where it reduces long-term debt)	346,719
Unamortized Bond Issuance Costs and Unamortized Loss on Bond Issuance are shown as Expenditures in the Governmental Funds, but are allocated over the Life of the Issuance in the Statement of Activities	(103,924)
Compensated Absences are Recorded when Earned in the Statement of Activities. In the Current Year, more was Earned than was Paid Out.	(70,357)
Issuance of New Debt is recorded as Other Financing Sources in the Governmental Funds, but not in Statement of Activities (where it increases long-term debt)	<u>(54,000)</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><u>(\$34,080)</u></u>

*The notes to financial statements are an integral part of this statement.*

**PLYMOUTH EDUCATIONAL CENTER  
CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Plymouth Educational Center Charter School conform to generally accepted accounting principles as applicable to charter schools. The following is a summary of the significant policies:

Reporting Entity

Plymouth Educational Center Charter School is a nonprofit corporation and a public school academy. The State of Michigan has delegated to Central Michigan University the responsibility of authorizing the establishment of public school academies and Central Michigan University approved the establishment of Plymouth Educational Center Charter School and Plymouth Educational Center Charter School was established pursuant to the Michigan School Code of 1976 ("Code"), as amended by Act No. 362 of the Public Acts of 1993, being Part 6A, Sections 380.501 to 380.507 of the Michigan Compiled Laws, and Act No. 416 of the Public Acts of 1994, being Part 6B, Sections 380.511 and 380.518 of the Michigan Compiled Laws.

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the Charter School. Based on application of the criteria, the entity does not contain component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Charter School's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**PLYMOUTH EDUCATIONAL CENTER  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

**District-wide Financial Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted State aid.

**Fund Financial Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

The Charter School reports the following major governmental funds:

**General Fund**

This fund is used to account for all operational activities of Plymouth Educational Center Charter School. The General Fund includes the current operating expenditures of Plymouth Educational Center Charter School. Revenues are derived primarily from the State of Michigan.

**PLYMOUTH EDUCATIONAL CENTER  
CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**Debt Service Fund**

This fund is used to record activity related to the payment of interest, principal and other expenditures on long-term debt.

Additionally the Charter School reports the following fund types:

**Capital Projects Fund**

This Fund is used to account for capital projects associated with the improvement and development of the Charter School's facilities.

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes and transactions of the Charter School's latchkey, cafeteria and athletic programs. The Charter School maintains full control of these funds.

**Assets, Liabilities, and Net Assets or Equity**

**Cash and Investments** – Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** – In general outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Receivables are shown net of an allowance for uncollectible amounts. The Charter School considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

**Capital Assets** – Capital assets, which include land, buildings and equipment are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the Charter School as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Charter School does not have infrastructure-type assets.

**PLYMOUTH EDUCATIONAL CENTER  
CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Assets, Liabilities, and Net Assets or Equity – (Continued)

**Capital Assets (Continued)** - Buildings and equipment are depreciated using the straight-line method over the following useful lives:

Building and Building Additions	25-50 years
Furniture and Other Equipment	10 years

**Compensated Absences** – The liability for compensated absences reported in the district-wide statement consists of earned but unused accumulated sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment.

**Long-term Obligations** - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data** – Comparative data is not included in the Charter School's financial statements.

2) **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General, Special Revenue, and Debt Service Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund function and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the object level. State law requires the Charter School to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner.

**PLYMOUTH EDUCATIONAL CENTER  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be re-appropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Charter School incurred expenditures in the General Fund, which were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>
<b>General Fund:</b>		
Support Services:		
Instructional Staff	\$169,669	\$291,802
General Administration	581,676	922,502
Maintenance Operations	766,656	916,445
Transportation	15,001	33,865
Other	0	62,577

**Grants** – Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability of the General Fund. In the Charter School's opinion, any disallowed claims will not have a material effect on the financial statements as of and for the year June 30, 2008.

**PLYMOUTH EDUCATIONAL CENTER  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**3) DEPOSITS AND INVESTMENTS**

State statutes and the Charter School's investment policy authorize the Charter School to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Charter School is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Charter School's deposits are in accordance with statutory authority.

The Charter School has designated two banks for the deposit of its funds.

The investment policy adopted by the Board has authorized investments as listed in the State statutory authority as listed above.

The Charter School's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Charter School's deposits may not be returned to it. The Charter School's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the Charter School's deposits for custodial credit risk. At year end, the Charter School deposit balance of \$2,093,429 had \$1,847,741 of bank deposits (certificates of deposit, checking and saving accounts) that were uninsured and uncollateralized. The Charter School believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Charter School evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Charter School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Charter School's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law. The Charter School does not have investments with custodial credit risk.

**PLYMOUTH EDUCATIONAL CENTER  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**3) DEPOSITS AND INVESTMENTS – (Continued)**

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Charter School's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The Charter School's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Charter School's cash requirements.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Charter School's investment policy does not further limit its investment choices. The Charter School held no such investments at June 30, 2008.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. State law and the Charter School's policy prohibit investment in foreign currency.

**4) RECEIVABLES AND DEFERRED REVENUE**

Receivables as of year end for the Charter School's individual major and nonmajor funds in the aggregate are as follows:

	General Fund	Nonmajor Funds	Total
<b>Receivables:</b>			
Intergovernmental	\$1,337,487	\$46,924	\$1,384,411
	7,397	0	7,397
<b>Total</b>	<u>\$1,344,884</u>	<u>\$46,924</u>	<u>\$1,391,808</u>



**PLYMOUTH EDUCATIONAL CENTER  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**4) RECEIVABLES AND DEFERRED REVENUE – (Continued)**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Charter School had no deferred revenue.

**5) CAPITAL ASSETS**

Capital assets activity of the Charter School's governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance July 1, 2008
<b>Capital Assets not Being Depreciated:</b>				
Land	\$255,900	\$0	\$0	\$255,900
<b>Capital Assets Being Depreciated:</b>				
Building and Building Improvements	9,830,289	96,291	0	9,926,580
Assets under Capital Lease	357,118	54,000	0	411,118
Furniture and Equipment	673,917	35,520	0	709,437
Site Improvements	1,156,065	91,216	0	1,247,281
Subtotal	<u>12,273,289</u>	<u>277,027</u>	<u>0</u>	<u>12,550,316</u>
<b>Accumulated Depreciation:</b>				
Building and Building Improvements	1,154,166	193,255	0	1,347,421
Assets under Capital Lease	172,211	30,564	0	202,775
Furniture and Equipment	322,385	80,245	0	402,630
Site Improvements	28,902	60,084	0	88,986
Subtotal	<u>1,677,664</u>	<u>364,148</u>	<u>0</u>	<u>2,041,812</u>
<b>Net Governmental Capital Assets</b>	<u>\$10,595,625</u>	<u>(\$87,121)</u>	<u>\$0</u>	<u>\$10,508,504</u>

**6) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

Fund Due To	Fund Due From Nonmajor Governmental Funds	General Fund	Total
General Fund	\$229,720	\$0	\$229,720
Non-Major Govt. Funds	<u>0</u>	<u>150,026</u>	<u>150,026</u>
<b>Total</b>	<u>\$229,720</u>	<u>\$150,026</u>	<u>\$379,746</u>

**PLYMOUTH EDUCATIONAL CENTER  
CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**6) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS – (Continued)**

Interfund receivables and payables occur during the normal course of business and are settled routinely during the year.

**Interfund Transfers**

	Transfers Out- General Fund	Transfers Out- Other Governmental Funds	Total
Transfers in-Debt Service Fund	\$1,180,677	\$0	\$1,180,677
Transfers in-Other Governmental Funds	43,266	76,147	119,413
<b>Total</b>	<b>\$1,223,943</b>	<b>\$76,147</b>	<b>\$1,300,090</b>

Interfund transfers provide General Fund support to the Debt Service and Latchkey funds.

**7) LONG-TERM DEBT**

The Charter School issues bonds, notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Charter School. Notes and installment purchase agreements are also general obligations of the Charter School. Other long-term obligations include compensated absences.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds	\$13,660,000	\$0	\$225,000	\$13,435,000	\$230,000
Accrued Sick Pay	260,981	70,357	0	\$331,338	0
Notes	0	0	0	\$0	0
Capital Lease Obligations	466,432	54,000	121,719	\$398,713	128,519
<b>Total Governmental Activities</b>	<b>\$14,387,413</b>	<b>\$124,357</b>	<b>\$346,719</b>	<b>\$14,165,051</b>	<b>\$358,519</b>

The Center has issued \$13,850,000 in revenue and refunding bonds due in annual installments of \$225,000 to \$890,000 through November 2035, with interest ranging from 4% to 5.625%.

These bonds contain certain minimum fund balance covenants. The Center must maintain an unrestricted fund balance in its general fund which equals not less than an amount calculated as a percentage of operating expenses for the prior school year. This percentage ranges from 5% to 10% depending upon various criteria. If the minimum fund balance falls below the required amount as of June 30, the Center must retain on an annual basis a minimum of 50% of excess net revenues until the Center is in compliance with the minimum fund balance requirement.

**PLYMOUTH EDUCATIONAL CENTER  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**7) LONG-TERM DEBT – (Continued)**

The annual requirements to service the bond payable outstanding to maturity, including both principal and interest are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	230,000	702,784	932,784
2010	240,000	692,940	932,940
2011	245,000	681,715	926,715
2012	255,000	669,215	924,215
2013	280,000	656,084	936,084
2014-18	1,595,000	3,060,298	4,655,298
2019-23	2,030,000	2,602,406	4,632,406
2024-28	2,625,000	1,998,916	4,623,916
2029-33	3,410,000	1,191,569	4,601,569
2034-36	2,525,000	216,139	2,741,139
<b>Total</b>	<u><u>\$13,435,000</u></u>	<u><u>\$12,472,066</u></u>	<u><u>\$25,907,066</u></u>

**Capital Lease Obligations** – The first capital lease obligation is with G.E. Capital. The lease began in February 2007 and carries a monthly payment of \$1,207 for 36 months. The capitalizable value of the asset is \$37,948 and is reflected in the statement of net assets.

The outstanding lease obligation at June 30, 2008 is \$9,328. This obligation matures as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2009	<u>\$9,328</u>
<b>Total</b>	<u><u>\$9,328</u></u>

**PLYMOUTH EDUCATIONAL CENTER  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

**7) LONG-TERM DEBT -- (Continued)**

In Fiscal 2007, the Charter School entered into a Trust Indenture with Charter FS of Michigan in connection with its Revenue Bonds, Series 2005. The lease purchase agreement financing, in the amount of \$300,000, was to acquire turf grass for the Charter School's athletic field.

The lease was assigned to De Lage Landen Public Finance. The monthly lease payments of \$6,314 started on November 1, 2006 and will go through September 1, 2011. The outstanding lease obligation at June 30, 2008 is \$209,772. This obligation matures as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2009	\$60,630
2010	63,611
2011	66,739
2012	18,792
<b>Total</b>	<u><u>\$209,772</u></u>

In Fiscal 2007, the Charter School entered into a lease purchase agreement with Fifth Third Bank to acquire equipment and other items of personal property. \$200,000 was deposited into an escrow account allowing PEC to pay vendors as equipment was acquired in 2007. The monthly lease payments of \$3,807 began on November 5, 2006 and will go through November 5, 2011. The outstanding lease obligation at June 30, 2008 is \$139,179. This obligation matures as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2009	\$39,181
2010	41,334
2011	43,604
2012	15,060
<b>Total</b>	<u><u>\$139,179</u></u>

In Fiscal 2008, the Charter School entered into a lease purchase agreement with Key Equipment for the purchase of security cameras. The capitalizable value of the assets is \$54,000 and is reflected in the statement of net assets. Monthly payments of \$1,835 will be made through July 2010. This obligation matures as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2009	\$19,380
2010	21,054
<b>Total</b>	<u><u>\$40,434</u></u>

**PLYMOUTH EDUCATIONAL CENTER  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

7) **LONG-TERM DEBT – (Continued)**

**Defeased Debt** – During 2006, the Center issued \$13,850,000 in revenue and refunding bonds with interest rates ranging between 4.0% and 5.625%. The proceeds of these bonds were used to advance refund \$11,100,000 of outstanding certificate serial bonds with interest rates ranging between 7.0 % and 12.5%. The net proceeds of \$12,801,683 (after payment of \$797,245 in underwriting fees, insurance, and other issuance costs, as well as funds being utilized for capital projects) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the Center's financial records. The advance refunding increased total debt service payments over the next thirty years by approximately \$475,000 which represents an economic loss of approximately \$100,000. The outstanding balance on the defeased bonds at June 30, 2008 was \$10,670,000.

**Bond Issuance Cost** – The bond issuance costs of \$797,245 are being amortized over the life of the bond issuance. The unamortized balance at June 30, 2008 was \$717,520.

**Loss on Bond Issuance** – The loss on bond issuance of \$1,701,683 (proceeds of \$12,801,683 deposited with escrow agent less \$11,100,000 outstanding balance on defeased bonds) is being amortized over the weighted average life remaining on the defeased bonds. The unamortized balance at June 30, 2008 was \$1,469,636.

8) **LOAN PAYABLE**

The \$124,682 loan payable represents the outstanding balance on a \$450,000 loan from Fidelity Bank. The original issuance date was September 21, 2007 with a maturity date of September 1, 2008. The loan carries an interest rate of 4.9%. The loan was paid in full as of September 1, 2008.

9) **DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS**

**Plan Description** – The Charter School participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Funding Policy** – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

**PLYMOUTH EDUCATIONAL CENTER  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)**

9) **DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS –  
(Continued)**

**Funding Policy – (Continued)** - The pension benefit rate totalled 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The Charter School contributions to the MPSERS plan for the years ended June 30, 2008, 2007 and 2006 were \$539,259, \$543,827, and \$493,659 respectively.

**Postemployment Benefits** – Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post employment health care benefits are included as part of the Charter School's total contribution to the MPSERS plan discussed above.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue:</b>				
Local Sources	\$92,067	\$307,067	\$299,159	(\$7,908)
State Sources	7,487,600	7,421,709	7,285,878	(135,831)
Federal Sources	533,356	539,693	672,983	133,290
<b>Total Revenue</b>	<u>8,113,023</u>	<u>8,268,469</u>	<u>8,258,020</u>	<u>(10,449)</u>
<b>Expenditures:</b>				
<u>Instruction:</u>				
Basic Instruction	3,700,076	3,574,436	3,205,150	(369,286)
Added Needs	249,823	339,414	326,071	(13,343)
<u>Support Services:</u>				
Pupil Support	333,544	331,589	320,322	(11,267)
Instructional Staff	172,523	169,669	291,802	122,133
General Administration	442,978	581,676	922,502	340,826
School Administration	971,795	960,149	875,383	(84,766)
Business Services	463,016	497,956	416,349	(81,607)
Maintenance and Operations	732,967	766,656	855,469	88,813
Transportation	15,000	15,001	33,865	18,864
Other	0	0	62,577	62,577
<b>Total Expenditures</b>	<u>7,081,722</u>	<u>7,236,546</u>	<u>7,309,490</u>	<u>72,944</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Capital Lease	0	0	54,000	54,000
Transfers Out	(1,005,858)	(1,031,923)	(1,223,943)	(192,020)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,005,858)</u>	<u>(1,031,923)</u>	<u>(1,169,943)</u>	<u>(138,020)</u>
Net Changes in Fund Balances	25,443	0	(221,413)	(221,413)
Fund Balances-July 1, 2007	<u>1,250,978</u>	<u>1,250,978</u>	<u>1,250,978</u>	<u>0</u>
<b>Fund Balances-June 30, 2008</b>	<u>\$1,276,421</u>	<u>\$1,250,978</u>	<u>\$1,029,565</u>	<u>(\$221,413)</u>



## **OTHER SUPPLEMENTAL INFORMATION**

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				
	Capital Project Fund	Food Services	Athletics	Latchkey	Total
<b>ASSETS</b>					
Cash and Investments	\$24	\$0	(\$235)	\$47,876	\$47,665
Receivables	0	39,567	0	7,357	46,924
Due from Other Funds	0	150,026	0	0	150,026
<b>Total Assets</b>	<u>\$24</u>	<u>\$189,593</u>	<u>(\$235)</u>	<u>\$55,233</u>	<u>\$244,615</u>
<b>LIABILITIES</b>					
Accounts Payable	\$0	\$14,338	\$90	\$443	\$14,871
Due to Other Fund	0	0	0	229,720	229,720
<b>Total Liabilities</b>	<u>0</u>	<u>14,338</u>	<u>90</u>	<u>230,163</u>	<u>244,591</u>
<b>FUND BALANCES</b>					
Reserved	24	0	0	0	24
Unreserved:					
Undesignated, Reported in Special Revenue Funds	0	175,255	(325)	(174,930)	0
<b>Total Fund Balances</b>	<u>24</u>	<u>175,255</u>	<u>(325)</u>	<u>(174,930)</u>	<u>24</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$24</u>	<u>\$189,593</u>	<u>(\$235)</u>	<u>\$55,233</u>	<u>\$244,615</u>

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

	Special Revenue Funds				Total
	Capital Project Fund	Food Services	Athletics	Latchkey	
<b>REVENUE</b>					
Local	\$583	\$43,139	\$31,738	\$96,069	\$171,529
State	0	10,941	0	0	10,941
Federal	0	393,654	0	0	393,654
<b>Total Revenue</b>	<b>583</b>	<b>447,734</b>	<b>31,738</b>	<b>96,069</b>	<b>576,124</b>
<b>EXPENDITURES</b>					
Current:					
Capital Outlay	60,789	0	0	0	60,789
Food Services	0	371,587	0	0	371,587
Athletics	0	0	49,576	0	49,576
Latchkey	0	0	0	197,644	197,644
<b>Total Expenditures</b>	<b>60,789</b>	<b>371,587</b>	<b>49,576</b>	<b>197,644</b>	<b>679,596</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(60,206)</b>	<b>76,147</b>	<b>(17,838)</b>	<b>(101,575)</b>	<b>(103,472)</b>
<b>Other Financing Sources-Transfer In</b>	<b>0</b>	<b>0</b>	<b>17,838</b>	<b>101,575</b>	<b>119,413</b>
<b>Other Financing Uses-Transfer Out</b>	<b>0</b>	<b>(76,147)</b>		<b>0</b>	<b>(76,147)</b>
<b>Net Changes in Fund Balances</b>	<b>(60,206)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(60,206)</b>
<b>Fund Balances-Beginning of Year</b>	<b>60,230</b>	<b>175,255</b>	<b>(325)</b>	<b>(174,930)</b>	<b>60,230</b>
<b>Fund Balances-End of Year</b>	<b>\$24</b>	<b>\$175,255</b>	<b>(\$325)</b>	<b>(\$174,930)</b>	<b>\$24</b>

**PLYMOUTH EDUCATIONAL CENTER  
CHARTER SCHOOL**

**FEDERAL AWARDS  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2008**

**PLYMOUTH EDUCATIONAL CENTER  
CHARTER SCHOOL**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Plymouth Educational Center Charter School  
Detroit, Michigan

We have audited the statement of financial position of Plymouth Educational Center Charter School as of June 30, 2008 and the related statements of activities and cash flows for the year then ended and have issued our report thereon dated October 29, 2008. Those financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the School as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Alan C. Young & Assoc.*

October 29, 2008

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Plymouth Educational Center Charter School  
Detroit, Michigan

We have audited the financial statements of Plymouth Educational Center Charter School (the School) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed In  
Accordance with Government Auditing Standards (Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Neither of the significant deficiencies described above were considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School in a separate letter dated October 29, 2008.

The management of the School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Alan L. Young, Assoc.*

October 29, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
Plymouth Educational Center Charter School  
Detroit, Michigan

We have audited the compliance of Plymouth Educational Center Charter School (the School) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The School's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *"Audits of States, Local Governments, and Non-Profit Organizations."* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the school did comply, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Report on Compliance With Requirements Applicable  
to Each Major Program and Internal Control Over Compliance  
In Accordance with OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over compliance we consider to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Alan C. Young, Assoc.*

October 29, 2008

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008

Federal/Pass Through Grant/Program Title/Grants	Federal CFDA Number	Approved Grant Award Amount	Accrued/ (Deferred) Revenue 6/30/2007	Memo Only Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash/In-Kind Receipts	Accrued/ (Deferred) Revenue 6/30/2008	Revenue
<b>U.S. DEPT. OF EDUCATION:</b>									
<u>Passed thru MI Department of Education</u>									
<u>Title I</u>									
0715300607	84.010	\$454,000	\$104,000	\$454,000	50	\$0	\$104,000	\$0	\$0
0815300708		460,337	0	0	0	460,337	460,337	0	460,337
Total Title I		914,337	104,000	454,000	0	460,337	564,337	0	460,337
<u>Title V</u>									
0702500607	84.298	3,852	3,852	3,852	0	0	3,852	0	0
0802500708		3,993	0	0	0	3,993	3,993	0	3,993
Total Title V		7,845	3,852	0	0	3,993	7,845	0	3,993
<u>Technology Literacy</u>									
0742900607	84.318	13,575	13,575	13,575	0	0	13,575	0	0
0842900708		4,327	0	0	0	4,327	4,327	0	4,327
Total Technology Literacy		17,902	13,575	13,575	0	4,327	13,575	0	4,327
<u>Improving Teacher Quality</u>									
0805200708	84.367	71,367	0	0	0	71,367	71,367	0	71,367
<u>SPRS</u>									
804400708	84.027	4,000	0	0	0	4,000	4,000	0	4,000
Total Passed thru MI Dept. of Education		1,015,451	121,427	471,427	0	544,024	665,451	0	544,024
<u>Passed thru WOCRESA</u>									
<u>IDEA Flowthrough</u>									
2006-07	84.027	119,521	11,055	119,521	0	0	11,055	0	0
2007-08		128,959	0	0	0	128,959	116,063	12,896	128,959
Total IDEA Flowthrough		248,480	11,055	119,521	0	128,959	127,119	12,896	128,959
TOTAL DEPARTMENT OF EDUCATION		1,263,931	132,483	590,948	0	672,983	792,570	12,896	672,983

PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008

Federal/Pass Through Grantor/Program Title/Grants	Federal CFDA Number	Approved Grant Award Amount	Accrued/ (Deferred) Revenue 6/30/2007	Memo Only Prior Year Expenditures	Adjustments	Current Year Expenditures	Current Year Cash/In-kind Receipts	Accrued/ (Deferred) Revenue 6/30/2008	Revenue
<b>US DEPARTMENT OF AGRICULTURE</b>									
Passed thru MI Dept. of Education									
Child Care Food Program	10.558	25,515	7,278	25,515	0	0	7,278	0	0
2006-07									
<b>CLUSTERS</b>									
Child Nutrition Cluster									
Passed thru Michigan Dept. of Education									
National School Breakfast	10.553	85,212	7,368	85,212	0	0	7,368	0	0
2006-07		98,293	0	0	0	98,293	98,416	11,877	98,293
2007-08		183,505	7,368	85,212	0	98,293	93,784	11,877	98,293
Total National Breakfast									
National School Lunch	10.555	279,761	23,663	279,761	0	0	23,663	0	0
2006-07		295,361	0	0	0	295,361	267,671	27,690	295,361
2007-08		575,122	23,663	279,761	0	295,361	291,334	27,690	295,361
Total National School Lunch									
National School Lunch									
2006-07		784,142	38,309	390,488	0	393,654	392,396	39,567	393,654
2007-08		\$2,048,073	\$170,792	\$981,436	\$0	\$1,066,637	\$1,184,566	\$52,463	\$1,066,637
Total US DEPARTMENT OF AGRICULTURE									
TOTAL FEDERAL FINANCIAL ASSISTANCE									

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL  
NOTES TO SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008**

**1) SIGNIFICANT ACCOUNTING PRINCIPLES**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Plymouth Educational Center Charter School and is presented on the same basis of accounting as the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations

**2) EXPENDITURE REPORTS**

Management has reconciled the expenditures reported in the Schedule of Expenditures of Federal Awards to those amounts reported in the annual or final cost reports. Unallowable differences have been disclosed to the auditor.

**3) GRANT SECTION AUDITOR'S REPORT**

Management has utilized the Form R-7120 as well as the Grant Auditor's Report in preparing the Schedule of Expenditures of Federal Awards. Unreconciled differences, if any, have been disclosed to the auditor.

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes        X   No

Significant Deficiencies identified that are not  
considered to be material weaknesses?        X   Yes      \_\_\_\_\_ No

Non-Compliance material to financial  
Statements noted? \_\_\_\_\_ Yes        X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes        X   No

Significant Deficiencies identified that are not  
considered to be material weakness?      \_\_\_\_\_ Yes        X   No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with section 510(a) of Circular  
A-133? \_\_\_\_\_ Yes        X   No

**Identification of major programs:**

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027	IDEA

Dollar threshold used to distinguish between type A and B programs: \$300,000

Auditee qualified as low risk auditee?        X   Yes      \_\_\_\_\_ No

*See Notes to Schedule of Expenditures of Federal Awards.*

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008  
(Continued)**

**CURRENT YEAR FINDINGS**

**SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS**

**Reference  
Number**

**Findings**

2008-1

**Finding Type – Significant Deficiency**

**Condition and Description** – During our audit we noted several general ledger accounts that were misstated and needed appropriate review and/or reconciliation. In some of these instances, adjusting entries were necessary to properly state account balances. Periodic review of the general ledger is essential to identify any inconsistencies, to reduce the number of year-end audit adjustments and to improve the internal control structure.

**Recommendation** – We recommend that the general ledger be reviewed and reconciled on a periodic basis. This will help improve the quality of internally generated financial statements and will also improve audit efficiency.

**Management Response** – The Business Office has developed a quarterly review procedure for the Academy's general ledger. The Business Office will also provide additional training in school accounting and general ledger maintenance for new staff. These steps will reduce the risk of a repeat occurrence of the above finding.

2008-2

**Finding Type – Significant Deficiency**

**Condition and Description** – Under statement on Auditing Standards No. 112, we are required to communicate when any client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America. The School is striving to take on this responsibility internally and did prepare a significant position of the 2008 financial statements and footnotes. However, since this was the first year the School has attempted to perform this function, significant assistance was required from the auditors in order to complete the report preparation.

**Recommendation** – We recommend that the School continues to work towards their goal of preparing the financial statements and footnotes internally. By building on the experience gained this year, the School should have the ability to reach this target

**Management Response** – Having completed the exercise of preparing the financial statements and footnotes required in the annual audit report, the CFO is confident he will require no significant assistance from the auditing firm in preparing the 2008-2009 financials.

**PLYMOUTH EDUCATIONAL CENTER CHARTER SCHOOL  
STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2008**

**PRIOR YEAR FINDINGS**

**SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS**

No financial statement audit findings were noted for the year ended June 30, 2007

**SECTION III – FEDERAL PROGRAM AUDIT FINDINGS**

No federal program audit findings were noted for the year ended June 30, 2007



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October 29, 2008

To the Board of Directors  
Plymouth Educational Center Charter School  
1460 East Forest  
Detroit, MI 48207

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Plymouth Educational Center Charter School for the year ended June 30, 2008, and have issued our report thereon dated October 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 31, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 8, 2008.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Plymouth Educational Center Charter School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were determining estimated useful lives of capital assets in order to calculate depreciation, and the allocation of grant revenues between instruction and support services on the statement of activities.

. We evaluated the key factors and assumptions used to develop these estimates in determining they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

#### *Difficulties Encountered In Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 29, 2008.

#### *Management Consultations with Other Independent Accountants*

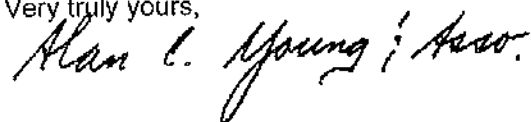
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Plymouth Educational Center Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Alan C. Young; Assoc.".

Alan C. Young & Associates, PC

**Alan C.  
Young & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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7310 Woodward Ave., Suite 740  
Detroit, MI 48202

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October 29, 2008

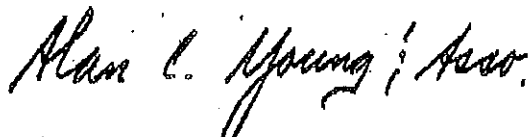
To the Board of Directors of  
Plymouth Educational Center  
Charter School  
Detroit, Michigan

In planning and performing our audit of the financial statements of Plymouth Educational Center Charter School (the School) for the year ended June 30, 2008, we considered the School's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that have an opportunity for strengthening internal controls and operating efficiency. Exhibit A, that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report on the financial statements of the School.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel of the School, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



Alan C. Young & Associates, P.C.  
Certified Public Accountants

**1) AUDIT SCHEDULES**

During the audit, some of the schedules provided to us for audit purposes were not as effective as they could be. Although there were no errors with the schedules we were provided, more detailed schedules could help improve the efficiency of the audit.

We recommend that detailed schedules be provided for all significant audit areas. These schedules should provide detail for what comprises the general ledger balance. Provision of these schedules would be very useful for audit purposes and would increase the efficiency of the audit.

**2) EXPENSES IN EXCESS OF BUDGET**

For the year ended June 30, 2008, the School's expenses exceeded the final budgeted level for, instructional staff, general administration, maintenance and operations, transportation, and other. Expenditures in excess of amounts budgeted are a violation of Michigan law.

We recommend that the School improve their efforts to match their budgets with the appropriate areas expenditures will be incurred. In total, the School's expenditures were less than the amount budgeted. However, there were several budget overages within the individual line items.